



THE HIRE ACT of 2010

Tax Breaks for American Small Businesses

Along with payroll tax exemptions designed to reduce the number of unemployed workers, the Hiring Incentives to Restore Employment (HIRE) Act also encourages businesses to improve their productivity by investing in new equipment and technology.

This \$17.5 Billion legislation package was signed on March 18, 2010 and includes increased write-offs for investment in new equipment. Small businesses may be able to expense the full cost for equipment purchases valued at up to \$250,000* this year. The new limit is a significant increase over the \$125,000 threshold available under previous stimulus packages.

Under the US Tax Code, businesses are permitted to offset their investment in certain types of capital equipment against their taxable income. Normally the deductions are claimed in incremental amounts each year based on prescribed schedules provided by the IRS. The schedules are designed to match allowable expenses to the projected economic useful life for various types of equipment. These expenses encourage business investment by reducing taxable income and taxes payable. So adjusting the rate for deductions generally stimulates or impairs overall business spending.

It is expected that this incentive plan will spur increased business spending

and help create positive momentum within the US economy. Evidence that the measure has been effective should materialize quickly as qualifying purchases must be made on or before December 31, 2010 and there is speculation that this will be the last year such incentives are offered.

Small businesses may be able to expense the full cost for equipment purchases of up to \$250,000 this year.

Although these deductions would be appealing to commercial enterprises of all sizes, the program is deliberately designed so that only well-managed small businesses are likely to benefit. The act includes a provision that reduces the allowable expenses by one dollar for every dollar over \$800,000 that a business spends on new equipment. For example, a company that purchases \$900,000 in new equipment in 2010 would lose \$100,000 of the accelerated write-offs available under the HIRE Act. Businesses also must have sufficient net income to claim the extra deduction for this tax year as there is no carry-forward

provision. Enterprises that are not profitable or go well beyond the \$800,000 spending cap may still be able to claim standard depreciation allowances, but they won't gain nearly as much benefit as they could under this program.

Businesses that would qualify otherwise but don't have sufficient cash available to invest in new equipment may still be able to take advantage of this rare opportunity. Westport Leasing is offering financing programs which will meet the criteria required under the HIRE Act. Westport finances a wide variety of capital assets and can provide the funds necessary to acquire virtually any type of new equipment that a business might need.

For more information about the programs and services available from Westport Leasing, please call or visit our web site.

For more information on the "Hiring Incentives to Restore Employment Act" visit the IRS Publications web site at:

www.irs.gov/publications/p946/ch02.html#n_US_publink1000107413

**This information is provided as a commentary on certain legislation relating to Section 179 of the Internal Revenue Service Tax Code. It is intended for general discussion purposes only and readers are instructed to consult qualified accounting, legal and tax professionals for advice and counsel regarding their investment & tax management strategies.*

Contact us for more information:

phone: (604) 681-1260 or 1-800-667-0747

email: sales@westportleasing.com

web: www.westportleasing.com

